



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0085	<b>Title:</b>	Revise unemployment insurance collections and integrity oversight laws
<b>Primary Sponsor:</b>	Buttrey, Edward	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 85 has an unknown fiscal impact to the state.

### FISCAL ANALYSIS

#### Assumptions:

1. Based on data from June 30, 2014, it is assumed that the amount debt owed to the Unemployment Insurance Division for the federal offset program would be \$4,725,898 (employer debt of \$4,015,674 and \$710,224 claimant debt). In 2014, state offset program, administered by the Montana Department of Revenue, yielded a return of 1.39% for employer debt and 4% for claimant debt. It is unknown at this time how effective the Treasury Offset Program (TOP) would be.
2. Montana Unemployment Insurance Division is one of nine states that have not yet implemented TOP. The Unemployment Insurance Division will apply for funding through a Supplemental Budget Request (SBR) from the U.S. Department of Labor in June of 2015 for implementation of TOP by January 2017. This will allow for offset of 2016 income tax returns.
3. SB 85 also gives the division explicit authority to enter into a lump sum settlement agreement with a claimant debtor if the non-fraud debt owed is greater than \$5,000. The division lacks sufficient information to determine the number of lump-sum settlement agreements that might be reached annually or the amount of debt that would be forgiven under an agreement.

**Technical Notes:**

1. Section 303 of the Social Security Act requires states, as a condition for receipt of federal grants to administer their UI program, to use TOP to recover UI debt. Conforming legislation must be enacted in 2015. Failure to enact this legislation will create conformity issues for the Montana UI program with the U.S. Department of Labor.
2. State laws must meet certain federal requirements for administrative funding and for employers to qualify for credits against the tax imposed under the Federal Unemployment Tax Act (FUTA). If the U.S. Department of Labor determines Montana is out of compliance with federal legislation, the department risks losing this credit or federal administrative funding for Unemployment Administration. In federal FY 2015, the administrative funding was \$8.5 million and the FUTA credit was 5.4% or up to \$378 per employee.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*